

Mr. Council President, members of the City Council, honorable judges and distinguished guests. I come before you tonight in the tradition of reporting on the State of the City of Yonkers and to lay out a vision for the year ahead.

Before I begin, I want to take this opportunity to recognize three new members of the City Council. Councilmembers John Larkin, Dennis Shepherd and Wilson Terrero, I welcome you as new partners in city government and I look forward to working closely with you to accomplish the people's business.

With that, I hope you will indulge me as we dispense with the rest of the pleasantries that normally accompany this type of occasion. Because as we gather in this chamber tonight, there are undeniable signs that the traditional way of doing things, both in this city and in this state are not working. In fact, some of the basic traditions and institutions of state and city government are now frankly failing our residents and businesses and we need to fix them.

Everywhere we look we see hardship. Many people have lost their jobs, or have seen their hours cut. Businesses are closing or just getting by. And there are huge budget deficits in store for the state and city governments, caused in part by incredible declines in revenues due to the economy.

Quite frankly, things are not good. And the time has come for us to come together and acknowledge some fundamental truths about our collective situation, so that we may go about making things better over the months and years it will take to turn things around.

Let's begin with the city budget and the two major factors threatening our financial solvency: the economic recession and the lack of state funding for Yonkers.

First, it's no secret that, over the past year, the recession has taken its toll on Yonkers, just like every place else in this state and indeed this country. Our residents and businesses are suffering the ill effects of a broken economy.

Next week I will be presenting a detailed budget briefing to our City Council and to the public. The news is grim. Every single source of revenue we collect to provide for basic city services is down across the board. Sales taxes are down because people are not buying things at the same rate they were two years ago. Income taxes are down because a lot of folks have lost their jobs. Mortgage and real estate transfer taxes are down because of the depressed housing market. Even property taxes are lagging behind just because people are struggling to make ends meet. And none of these show signs of improving any time soon.

Though the numbers are big, the problem is a very simple one if you break it down to basics. We only have so much money coming in to pay for services. If that money starts to go down like it has, significantly, then we have to cut services. And cutting services means cutting our workforce. Close to 80 cents on every dollar the city government spends goes to pay the salaries and benefits of the people who provide your services. And about three-quarters of that money pays the salaries and benefits of employees in the three largest departments: police, fire and public works.

Now, you often hear from politicians about “doing more with less,” which suggests there is a lot of waste that can be cut. ...I’m telling you there is not. The notion of “doing more with less” sounds good; but it’s no longer realistic. Fact is, we passed that point some time ago when the City Council and I started streamlining government and scaling back the workforce. We’ve reduced the size of government; we have a smaller workforce today than when I took office six years ago. We can now only do “less with less.”

The point I’m trying to make is this. When we cut further --- and we will --- those cuts will hurt and they will hurt a lot. They’ll hurt because we will have no choice but to cut in areas of the municipal budget that can produce real savings, again: police, fire and public works. And this year, you can add education to that list as well.

But as difficult as this economy has been on our budget over the short term, there is only one issue that has created a recurring financial calamity in this city over the long term. Of course, I'm talking about the discriminate inequity in the state's education funding formula as it applies to Yonkers' students and taxpayers.

You have heard me speak ad nauseam on this issue. In fact, every time I've addressed the City Council in joint session, it has been on this agenda. But the facts demand repeating. Each public school student in Yonkers receives thousands of dollars less in state funding than students in any other big city school district in the state. This is just plain wrong---inexcusably wrong. To make up for the state's deficiency, you, the Yonkers taxpayers, are now spending close to \$220 million every year on the public schools. That averages to more than \$6,000 for every property taxpayer in this city --- way more than taxpayers in any other city in New York.

Let's be clear. Highlighting this injustice is not political finger pointing. It is necessary to acknowledge the long, oppressive history of this issue. Let me take you back to 1984 --- more than twenty-five years ago --- New York State imposed a financial control board on this city based on a condition. That condition forced the city to adopt an income tax surcharge, a non-resident tax, and an increase in the real estate transfer tax --- three new taxes! --- to help raise local revenue for the city budget. We did that. We lived up to *our* commitment as a city. And those taxes are still in effect today.

But in exchange for that condition, New York State made a commitment to fund the public schools adequately and equitably, promising to finally live up to its obligation. That promise was broken. Those recurring resources have never come. And now, a generation later, we begin each and every budget year with a deep hole caused by the state's chronic underfunding of our school system. ...It's not waste, it's not overspending, it's not the economy that causes our annual budget problem. No. It's the lack of state education funding that is robbing the City of Yonkers of our fiscal stability. It is the reason we've had to raise property taxes... to make up for the utter failure of New York State.

We have done everything we can to convince state leaders, from the governor to the legislature to the bureaucrats, that this inequity must be corrected. We even hired a lobbyist to help plead our case in Albany. Think about that. We are New York's fourth largest city, with five members of the legislature who represent us, and yet it has become necessary to hire a lobbyist. ...Yet as many times as we've made our case, the establishment is either not listening or, if they are, they refuse to do anything about it.

In fact, they have just made the problem worse. In the latest round of state budget cuts Yonkers schools were cut more than any other big city in the state --- twice what schools in Buffalo and Rochester were cut.

Some politicians in Albany have made the argument that the State of New York makes up for its shortfall of education funding with more funding for municipal operations. But that's nothing more than a smoke screen; don't let it fool you. When you add the two categories together --- education and municipal funding --- and account for population, Yonkers taxpayers still come up short, way short.

Consider for a moment what would happen if New York State were to finally fix this problem that has plagued Yonkers for decades. For starters, you would be hearing a very different speech tonight. It would go something like this...

My fellow residents, this year we will once again hold our property taxes at the rate of inflation. Our budget has a surplus. All of our unions are operating under current and equitable labor contracts. The school system is in great shape. And I'm pleased to report that we have completed another round of infrastructure improvements across the city.

...Like the way that sounds? So do I. But we're not there because of one thing and one thing only. Inequitable education funding from the State of New York. So instead I'm giving the same speech I have given every year. The same speech mayors before me

have given and the same speech the next mayor will give unless this issue is resolved once and for all.

The solution is simple. The state legislature must gather the courage and political will it will take to change the state education funding formula so it finally treats Yonkers fairly. Even if we were held to the same standard as the next city on the list in terms of state funding per student, that would mean an additional \$90 million of annual, recurring revenue for our budget --- a relative pittance in the state's \$134 billion budget, but it would solve Yonkers' budget problems for good and allow us to determine our own future.

No one can say that it cannot be done --- that correcting an inequity of this magnitude is an impossible task. For example, just last year our state legislators adopted a bill correcting a funding inequity for the Marlboro school district in upstate New York. And over the past decade, they have invested hundreds of millions of dollars in the City of Buffalo, turning that city's deficits into a \$200 million surplus and even allowing their City Council to lower property taxes four years in a row in that city. I ask you, if Buffalo or Marlboro are worth that kind of investment of state resources, why not Yonkers?

But it gets worse. Over the course of last year, the state legislature found the time to pass 588 bills through both of its houses. Among the bills they adopted were laws dealing with bicycle riders, boating accidents, and health care for people who race in a triathlon. Let me get this straight. These relatively small issues are worth the legislature's time, effort and protection, but children of Yonkers can't even get a debate on equitable education funding, much less an actual change in the law.

Ladies and gentlemen, in a single issue, that is the state of the city. If we are somehow able to finally solve this one huge, chronic problem, then the State of the City of Yonkers would be strong and healthy for generations. We would be able to rise up and meet any other challenge that came our way, on our own.

So the message is clear to everyone. It is time for our state delegation to act. Stop supporting Albany's machines. Concern yourself with your constituents, not politics. Do what's best for Yonkers. The people of this city sent you to the State Capitol, but they can bring you right back.

That's the biggest issue, but there are others that also demand statewide action... We call this the Empire State. At least that's what they put on our license plates. But no private enterprise could actually build an empire here anymore. Truth is, the Empire State has become the vampire state, sucking the financial lifeblood out of its residents and businesses alike: a behemoth of wasteful, excessive government spending; burdensome taxes; and intrusive regulations that have and will continue to destroy creative entrepreneurship and drive it out of our borders.

Here's proof. New York has the largest budget deficit per person of any State in the Union. We have the third highest tax rates in the nation. New Yorkers are suffering the highest unemployment rate in thirty years. Our economy outside of the New York Metro Area is stagnant and businesses are being crushed because, as the Westchester County Association has pointed out, New York ranks 49th in the nation for "business friendly" environment. Clearly we are moving in the wrong direction.

As a state, our survival depends on charting a new course. We have got to stop treating business in this state like it's an enemy. The vast majority of people in this country work in the private sector. It's business that provides the jobs. It's business that generates the revenue to pay for services. And it's business that sustains our economy. If we cannot attract new businesses and investment to our city because of a regressive attitude and state policies, then ours and other cities will fail.

If we want to get serious about turning things around and actually growing our economy, we need to start listening to business people and creating an environment in which they can flourish. We've done that here in Yonkers with an aggressive Office of Economic Development and an Industrial Development Agency that finds creative solutions to the

high cost of doing business here. We use tax credits and incentives to attract companies here because they mean jobs for our residents and commerce for our city. But all we hear in Albany are politicians who, under the mantle of reform, treat incentives and tax credits as if they were evil. As a mayor who's helped create more than 5,000 jobs I can tell you that without programs like the Empire Zone, Brownfields Tax Credits and the IDA --- all of which are being threatened by the state legislature --- we would be a place where no one could do business and all you'd see would be empty buildings and vacant lots.

The formula for a better, more functional state government is not that complicated. Treat communities fairly with the decisions made on funding and taxation. Stop passing costs down to local governments. Foster a better, more competitive economic climate by scaling back complex regulations. And treat businesses like we actually want them here. ...These are real reforms that would make a real difference for New Yorkers.

Now we have our part to play in this solution as well. And we have to start by re-imagining the way local government is structured. One way to operate cheaper and more efficiently is through consolidating government services. This is no longer just a fashionable idea. It has become a necessity.

Here in Yonkers we have separate government entities that operate with your tax dollars: the libraries, the public schools and, of course, municipal government. Each needs personnel, legal, civil service, financial and technical support in order to operate. But why does each one need its own finance or legal or human resources department? They don't. The public schools, the libraries, and city government may have different missions, but all of the money comes from the same place: you the taxpayer. Although it will take time and the savings will not be immediate, we can save more of *your* money if we streamline these bureaucracies.

I'm not breaking new ground here. The idea of consolidated services is being discussed by governments all over the country. But nothing has happened yet because there are many obstacles in the way.

The biggest obstacle is that we cannot do it unilaterally. The School Board of Trustees has to consent because, legally, we must have their approval to move forward. But so far they have been reluctant. Some jobs will be cut. Workers will have to be willing to change, to learn new systems, and administrators will have to let go of territorial attitudes. And state law may render real reform through consolidation next to impossible, especially if those who oppose it dig in their heels. But even considering all the obstacles, it still needs to be done.

We'll have to do a lot of convincing. You the taxpayers understand why consolidating services is necessary and makes sense, but now it's time for everyone else to get on board. We all need to be partners in this important effort. The bottom line... yes, there are plenty of challenges to overcome in order to achieve consolidated services; but there is no *good* reason not to do it.

Tonight I'm calling on the Board of Education, the Library Board and the City Council to join me in adopting resolutions of intent. If we work with diligence and purpose, together we can implement a plan that will impact the Fiscal Year 2012 budget, which is only a year away. It's an achievable goal. Let's get it done.

Changing the way we do business is about the bottom line. But it is also about reassuring the public that we're doing things right. With that in mind, it's time for the school board to open their books for the Inspector General's Office. The recent feud on this issue is petty and only deters public confidence. The school board has said it has nothing to hide --- and I believe them. So I am once again calling on the Board of Trustees to let the Inspector General in and erase all doubt..



And speaking of the Inspector General's Office, I want to welcome Dan Shorr to city government. Dan is a man of exceptional integrity and ability and I know he will serve our residents well as the new Inspector General.

We must also address another problem that has contributed to our city's fiscal challenges. That is, the way our labor contracts are structured.

Now let me say this right off the bat. The men and women who work *hard* to deliver services to the people of this city, who keep Yonkers running day in and day out, do a great job---and I would take issue with anyone who says otherwise. But for too long, all of us in government, myself included, have allowed our respect and admiration for the good work done by our union employees to turn labor negotiations into the third rail of local politics. It's been that way for years. But times are different now. And if we are *really* going to change the way we operate, with the ultimate goal of saving taxpayer money, we have to be honest about the fact that some elements of our labor contracts are putting a real squeeze on the city budget. Let me explain.

It used to be that civil servants were paid less and had fewer benefits than their counterparts in the private sector. But now public sector employees earn salaries and enjoy benefits that are on par with, and in many cases better than, the private sector. And the way state law allows workers to increase their pensions through overtime pay is suffocating local budgets all over the state including our own. It is time to face reality. Private sector unions have already made adjustments necessary to get through this recession. Now our public sector unions must follow. The old ways of extravagance and largess with the public's money must come to an end. It's unsustainable. And as they proved in electing County Executive Rob Astorino in November, the people won't accept it any more.

So I'm asking all our unions to join me with an open mind and a willingness to change for the good of the city. All of our municipal labor contracts are now expired so this is the perfect opportunity to make the changes we need to make.

We must all remember, regardless of what union represents you, we all work for the city---the people of Yonkers. So we all have a tremendous stake in whether this city succeeds or fails. And cities *can* fail. ...But if we succeed together, weathering the tough times by making sacrifices, we will all come out of this better and stronger, collectively as a city and individually.

The one thing that must remain constant if we are to create a better future for Yonkers is to continue growing our local economy and our tax base. In spite of the economic downturn, there are still positive signs that give us hope here in Yonkers. In fact, our aggressive pursuit of economic development has positioned our city to realize the benefits of an eventual economic recovery that we know will come.

Tomorrow morning, close to 500 people will go to work, just like they did today, erecting steel and concrete structures at Ridge Hill Village, a \$900 million development project. These are real jobs and real opportunities paying off for Yonkers residents. And the best part is that when it opens in 2011, it will begin generating \$25 million in expected annual revenues for the City of Yonkers alone, and it will provide another 5,000 permanent jobs.

While we're discussing Ridge Hill, I want to say this to the all the people of Yonkers. No one was more profoundly disappointed than I was with the federal indictments of one of our former councilmembers and her associates. If proven guilty, those individuals have brought shame upon themselves and their positions of public trust, and they should be punished. But those of us who have endeavored tirelessly to build a better Yonkers, and who have done so with integrity, will not allow the shameful actions of a few to taint all of city government or, for that matter, a project that is crucial to our city's future.

Now, Ridge Hill may be one of the largest, but it is certainly not the only development project that's moving forward. Another is the Cross County Shopping Center, where great things are happening. This \$300 million renovation has already produced 300 construction jobs and will produce another 250 permanent jobs when it's complete.

One of the most exciting parts of that project is the Macy's expansion, where the Cross County's flagship store will nearly double its retail space. It will be open this June.

Last fall we broke ground on a \$125 million children's hospital, the Elizabeth Seton Pediatric Center, in northwest Yonkers. More important than bringing jobs to Yonkers, this hospital does God's work, providing expert care for the most seriously ill children. We are proud to welcome them to our city.

And since I addressed you last year, we have made remarkable progress in transforming the Ashburton Avenue corridor. Mulford Gardens, the oldest housing project in Yonkers and a site associated in recent years with crime and drug activity, is literally no more. It's gone... forever. In its place the seeds of a new neighborhood are taking root. 62 two-family homes have been built in the Father Pat Carroll Green development at the gateway of the Ashburton Avenue neighborhood. We had the opportunity to cut the ribbon last summer as dozens of families received their first opportunity at the American dream of home ownership.

Right across the street, a brand new, 80-unit building called Croton Heights is providing the kind of modern, market rate housing that will bring our older neighborhoods back, stronger than ever. And in April we will break ground on the next phases of housing on the old Mulford Gardens site.

In the past year we have also welcomed two brand new hotels to Yonkers, Hampton Inn and Marriott Residence Inn on Executive Boulevard, the first new hotels to come to this city in over forty years --- a clear sign that Yonkers is a city where people want to do business.

Redevelopment will also continue in our downtown and along the waterfront because we are committed to reviving our city's center of commerce. Right now, investors who have already had success in Yonkers are before the planning board with another \$100 million project that will renovate an historic building on Buena Vista Avenue called

Teutonia Hall. This development will add hundreds of additional residential units and new commercial space to a growing community.

And one of the things I'm most excited about is the daylighting of the Saw Mill River. Over the past year, we have been preparing engineering and design plans for this monumental project. It will literally unearth a river in the heart of downtown Yonkers that has been buried for generations. One of the most significant environmental public works projects anywhere in New York, daylighting the Saw Mill River will help control flooding, clean up the river, and most importantly create a one-of-a-kind public park that will attract new businesses and visitors. Tonight I'm announcing that we are breaking ground in June. It is finally going to happen.

And lastly, the \$1.5 billion Struever Fidelco Cappelli development in the middle of downtown has at last received its final approvals from all city agencies. It took too long to get to this point because now the economy is in recession. But when the banks do start lending again, the SFC project will be among the first to get off the ground because it is and always has been a good project. It will completely remake our city's downtown with thousands of new residential units and millions of square feet of office, retail, dining and entertainment space and, yes, a ballpark.

All of these efforts to improve the economic climate in our city are important and we will continue to move ahead aggressively. But, my fellow residents, they are only a piece of a much larger picture. The central message I hope to impart with you tonight is that these times demand something bigger: bold action on the congenital problems that are inhibiting the long term success and welfare of the City of Yonkers. The failures of the State of New York to live up to its obligations, and to a lesser degree our own shortcomings here within the city's borders, are not easy topics to discuss. They don't conform to sound bites and they sure aren't going to make me popular. ...So be it. What I have said tonight needed to be said.

Endeavoring to overcome these challenges won't make for an easy path ahead. But in my time as mayor, I have learned that the people of Yonkers are nothing if not determined. And even in these tough times there is hope. All across our city, I have encountered strong mothers and fathers, brothers and sisters, young adults and senior citizens. Families overcoming burdens to hold together. Workers training for their second or third career. Students working to pay for the hope a college education will give them. People of all walks of life playing the hand they have been dealt --- by the economy, by fate, but also by our own past choices and policies --- anxious to work together to forge a new direction.

Certainly if the people of this city can overcome their challenges, then we can come together to do the people's work by accomplishing the long overdue task of fixing our state's and our city's problems. By your hard-working example, you the people have shown us the right path.

Sure, we in Yonkers are not alone in our resilience. This same spirit resides all across New York State. But, thanks to the diligent work we have done these past few years, we here in Yonkers are poised to be among the first to realize the promise of better days ahead.

So, to all those with hope in your hearts, with determination in your souls, and with a willingness to come together, I say --- keep going. Have faith. If we make the right choices, we will create a better future for Yonkers.

Thank you.